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**INFORMATION REPORT**

COUNTRY Germany (Russian Zone)  
 SUBJECT Speech by Selbmann in Erfurt

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1. There was a meeting in Erfurt, 21 May 1948, of 1200 SED functionaries active in the economic field. The meeting was presided over by Heinrich Hoffmann, state chairman of the SED. The main address was given by Fritz Selbmann, deputy chairman of the Economic Commission for the Russian zone (DWK).
2. Selbmann said: "We face a new economic period following the conclusion of sequestration and denazification. The punishment of war criminals, and Nazis has been concluded in accordance with SMA directives, and nominal FGs are to be classed as full citizens and need only to prove their will to participate in democratic reconstruction. The new path of reconstruction must be found and followed with the goal of establishing a ration-free German economy within two years. In addition, production of consumers' goods must reach the peace-time level.
3. "The DWK, of which I am Vice-President, was established by Order #32. What is the DWK? First allow me to explain what it is not. The DWK is not the camouflaged government of a separatist eastern Germany nor a parliament in the pattern of the American Senate or House of Representatives, nor yet a defacto cabinet such as the Frankfurt Wirtschaftsrat with its 104 members appointed by the capitalist western powers with an Oberdirektor in charge. - obviously an undemocratic parliament. The DWK, consisting primarily of SED members, regards German unity as its first political and economic task. The leaders of the SED will not neglect their duty to the working class to fight for the unity of Germany today and forever. Even though it sometimes seems as though the dividing line is now final, history has proved that political developments based on the will of the masses could never be suppressed. The struggle will not end until Germany is again one.
4. "As to what the DWK is: the DWK is merely an administrative organization installed by the occupying power to take over gradually functions previously exercised by the occupying power. We consider it an advantage rather than a criticism that the DWK is neither democratic nor parliamentary. We are not a government, do not wish to be one, and do not wish to simulate a democratic government.

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5. "It cannot be our goal to enslave the Russian zone with capitalism as the Frankfurt Wirtschaftsrat does. We must realize that our plight cannot be remedied with foreign help alone. We by no means reject foreign aid. Naturally any assistance with raw materials or credits will be welcome, but we cannot accept aid tied up with political demands which render an independent existence impossible for the German people and bind the German future to the policies of the western powers. The Marshall Plan is, to be sure, well conceived, and as a politician and economist I respect it. It is a brilliant method of conquering a whole continent for American monopoly capitalism. The western powers need such methods, for one of the results of the war has been the weakening of the imperialist front. Look at Finland, Poland, Czechoslovakia, Yugoslavia, Rumania, and Bulgaria, which have broken out of this imperialist alliance and are now pillars of a new democratic economic order in the East. The American market is unable to absorb all of the American surplus production. The capitalists will do everything to avert the inevitable crisis. America is looking for a place to make investments and rearm simultaneously. Now, despite the Marshall Plan, western German economy is to be crippled in order to create eager customers in western Europe.
6. "These endeavors are all directed against Russia and accordingly must have corresponding effects on the Russian zone. We cannot wait year after year for western powers to fulfill the Potsdam agreement and deliver the raw materials they owe us. The western German state is the beginning of an anti-Bolshevist alliance and the pop-valve for the approaching American crisis. They want to create a torn and split Germany in the center of Europe where world currents cross. That is why we are fighting for the unity of Germany and are worried about developments in the West. They are making it impossible for us here to get reconstruction under way. We have the most important production units in our hands in the eastern states, including Russia and we will not allow our factories to be brought to a stop simply because the western zones are dancing to the American tune. For this reason it is up to the DWK to make use of other sources of raw materials, Upper Silesian coal, Polish coal, Rumanian petroleum, Yugoslavian metals, etc. The trade agreement with Poland is only the beginning of a completely new economic orientation. This does not mean that we are seeking one-sided economic connections. The new orientation is not the result of a one-sided policy, but is merely a measure of self-help against foreign-enforced help, and this self-help will be furthered by the fact that our economic organization is to be much more streamlined.
7. "We plan to create a unified zonal economy. The main difficulty arises from the growth of particularism since 1945 in every Kreis and community. Now a zonal policy on a grand scale is needed to meet our difficulties. I am well acquainted with conditions on the so-called Saxon-Thuringian border as well as in the Central Administrations in Berlin which have been a special center of particularism. Directives were issued there by various sections without any mutual notification. An order from Karlshorst was sufficient to make some officials consider themselves kings. Some have already fallen from their royal thrones. The Central Administrations could not function because someone did not want them to. For this reason, several hundred saboteurs and enemy agents have been dismissed. I cannot understand why the head of one Central Administration, for instance, dined regularly with Ambassador Murphy. The economic policy of the Russian zone cannot be carried on with people who run to the Telegraf or Sozialdemokrat the next day. Further dismissals will be necessary because the Central Administrations have become paralyzed with bureaucracy as mailmen for Karlshorst. In these jobs we need men who can execute a German policy and create a unified zonal economy with unified economic plans. In the future, all directives will be issued by the DWK. They will be discussed beforehand with the states but will be legally binding upon publication.

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8. "The difficulties in our economic planning are well known. We must be much more realistic instead of finishing every quarter with the plan unfulfilled. We must ask ourselves what is available and what can be obtained and how large our reparation quota is. The Russians appreciate our point completely. The plan that we then announce is supreme law for every Landrat, every state, every SMA, and every Kreis commander. If subordinate commanders interfere, we will turn to the supreme command. In the past, factory managers have exhibited insufficient resistance when comrades in uniform came and demanded goods under threat of reprisals. More courage! No one has been locked up for longer than two days for refusing to give up a piece of leather luggage. And that's not much when I think of the twelve years I spent locked up because of my antifascist attitude. We prepare our plans in full unanimity with the Russians, without whose help our work would be impossible.
9. "The DWK still doesn't have all executive powers. Marshal Sokolovsky, in a conversation I had with him, refused to grant us sole leadership because he feels that we are not yet capable of it. And he is right. 'Don't expect us to give you complete control overnight, because you can't take over everything yet. Build up the economy rapidly and we will be content with minor controls.' We must educate ourselves in order to grow into the job and be able to replace the old economic leaders. We must strive not to slow down but to speed up, especially since the publicly-owned enterprises are a decisive factor in the new economic order. Those who oppose us can slow down the tempo but not prevent the evolution. What we need is the support of the workers in the publicly-owned enterprises.
10. "Order #64 ended sequestration; that doesn't mean that everything is ended. Certain Berlin papers complain about 'cold socialization' and about ~~retroactive~~ sequestration in Thuringia. According to them, we sequestered in Thuringia on the basis of the telephone directory. I must stress that the action in Thuringia is merely a remedying of past mistakes of omission. Pressure by the bourgeois parties cannot change this fact. Threats of a parliamentary crisis cannot frighten the Russians or us. One bourgeois party has officially announced that it is going to review sequestrations. That is an attempt to stir up confusion at the last moment. Order #64, however, clearly states that the lists submitted have been approved by the SMA. These politicians on the other side should take a look at a map, where they will see that it's not so far from Prague to Weimar, and should reflect on whether this is the time for jumping out windows. The sequestration is a public matter and the people will not allow clever lawyers to steal the rights they have won. This was very clearly stated by Col. Tyulpanov who said that the people know what is right much better than an LL.D. There is nothing left to be reviewed now that the lists are closed by Order #64. The publicly-owned property is untouchable. We can simply point to Order #64, and many people are afraid of orders. In the future, we must inform those who wish to force a review or stage a suicide that in our zone such attempts can only have unpleasant consequences for them.
11. "There are still some remnants of monopolies in our zone that have escaped us, branches of Siemens, AEG, and Klöckner, for example. Since we are true to the constitution and the Potsdam agreement, we will not allow new trusts to be formed.
12. "One of our main tasks is to guarantee the legal basis of the publicly-owned enterprises. The respective judges will receive such plain instructions from the DWK that they will overcome their prejudices even if it kills them. We will issue an order to them that the old pages are to be removed from the registers and destroyed and we will set a deadline. We will see to it that the names of the war criminals disappear. It is a poor joke when their names are still carried in titles such as "State-owned Plant, formerly \_\_\_\_". The craziest thing happened in Thuringia: "State-owned Plant, formerly Wilhelm-Gustloff-Werke".

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13. "We have 40,018 enterprises in our zone with 1,500,000 workers and a production of nine billion marks. Of these, 2,796 with 486,000 workers and three billion marks production are state-owned. The percentage would be still higher if we subtract the food and luxury branch, which has not been affected by sequestration. In that case, 9.3% of all enterprises with 31.8% of all employees and 40.5% of production are state-owned. Coal and transportation are 100% in our hands, textiles 67%. It is no mere accident that the key industries are largely publicly-owned. As a result, we can afford to allow 4,600 enterprises in the light industry field to continue under private management. We intend to treat the public enterprises quite differently from the private and make them much stronger. Thus, the public enterprises are to receive exactly the same priority rating as the SAGs, which have always insisted on 100% fulfillment of their plans and refused any reductions in raw materials quotas. We are now in a position to attain this. I cannot reveal all details now but, when the DWK expresses its opinion, it already has SMA approval. Besides, the SAGs feel a need to re-trench. We are going to remove some plants from the authority of the states and subordinate them to the DWK directly. We are going to effect a reorganization with all plants of a particular branch united in a combine - there, I've said it. These groups will be mutually complementary under central leadership. There will be some 1,650 involved. Cries from the West about state monopolies shall not deter us.
14. "As to whether public plants can be operated at a profit, we may as well be honest. There is no genuine profit today, not even in private enterprise, primarily because it is necessary to purchase materials at black market prices, which upset all calculations. The resultant losses arise in public and private enterprises and are offset by subsidies if the enterprises are of sufficient importance to the public. When the currency reform comes, things will be difficult and many enterprises will face a precarious existence. We do not intend to support any private plants that are ripe for the dung heap. The liberals have always been against socialization and in favor of private enterprise. Enterprise means daring, I believe, and that means risk; after the currency reform they can prove whether they are equal to the risk. Some plants will always need subsidies if we are to maintain the price structure.
15. "The special economic situation demands that we erect rolling mills, steel mills, and cellulose factories. This requires large investments, 41,000,000 RM for one factory. Such projects cannot be undertaken by private enterprise unless we wish to allow corporations. Since the entire population benefits from these new factories, it is only just to take the funds from the public budget. We wish to establish a successful industry in our zone and must not allow our opponents to frighten us.
16. "We hear that the publicly-owned enterprises are the kernel of the new socialist economy. This is a dubious formulation. Let the Marxist busy himself in his chamber with study of Marx, Engels, Lenin, and Stalin, or talk about it with his wife; but here where we are alone together we need not talk about the epoch of socialism. We need not tell all we know. We know that capitalism is at the end of the road and that socialism is replacing it."
17. After a short discussion Selbmann concluded, "Naturally the SED has not abandoned the class struggle but the methods are different now from the days when I, as a general of the Rotfront, marched through Dresden with the cry 'Rotfront, Socialists Unite!' Not only the SED goes in for class warfare. Witness the bourgeois ministers threatening to launch cabinet crises if their wishes are neglected. That is their method. I will not lose my class consciousness as I face our political opponents even if I wear a black coat and a necktie."

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